

- (d) Evaluate the elasticity of demand when $p = 1$. Interpret your answer, include is price is elastic, inelastic or unit elastic.
- (e) Find the revenue when price is \$3 and when it is \$3.10. Did revenue increase or decrease by increasing price? How could we have known this by just looking at elasticity of demand?
- (f) Find the revenue when price is \$1 and when it is \$1.10. Did revenue increase or decrease by increasing price? How could we have known this by just looking at elasticity of demand?
- (g) What price maximizes revenue? Answer both using elasticity of demand and again using the fact that we have a quadratic revenue and compare your answers.

2. Jennifer finds the demand for her custom socks is given by $x = 1/p^3$.

(a) Find elasticity of demand.

(b) Give an interpretation for elasticity of demand when price is \$1.

(c) What price will maximize profit? (Use elasticity to find your answer).

More Practice from Textbook 4.5: You should do as many problems from each set (1-12, 13-22, 23-27), as needed until you are comfortable with these techniques.